UP&L board chairman has taken bad with the good

John A. Lindquist dismisses all the noise about the directors of Utah Power & Light Co.

A 10-year veteran and recently elected chairman of the board, he doesn't buy talk about the board composed of old guard vs. new mavericks or directors suddenly speaking their minds after years of serving as a rubber stamps of management.

"It's just that times changed," says the 68-year-old Ogden mortician.

Lindquist doesn't discount the ability of the present board and is impressed by their knowledge and broad background. But, he believes any board has to take significant action when the company faces problems.

"You don't have to ask very many questions or do much when everything is great and you are making money."

That was the situation when Lindquist was elected to UP&L's board. The utility was anticipating demand to keep growing and eventually exceed capacity by 1981. Construction plans were underway to meet that demand, growth did occur, the utility was making money and the board routinely accepted management's recommendations.

But the rosy conditions wilted as demand flattened in the early 1980s, a fire killed miners in a company-owned coal mine and regulators and consumers wanted answers from the high-cost utility.

Coincidently, more than half of the board was replaced during UP&L's period of turmoil, and the newcomers were thrust into a crisis. "The new people came in facing the new situation, and the board became a great deal more active."

Lindquist admits the board was a bit on the aged side and newcomers brought in fresh ideas.

He said he believes the newer directors have some lively discussions."

Expressing his opinion about issues that faced the board this year, Lindquist says:

The pending merger with PacifiCorp is in the best interest of shareholders, employees and customers.

Facing a sluggish local economy, surplus capacity and a possible cut in its dividend, UP&L was backed into a corner and needed someone to pull them out.

"We had countless meetings and we realized we needed a white knight, someone with cash and who could mutually benefit by associating with us," he said. "I think we found the best company in the United States."

PacifiCorp, with $5 billion in assets and diversified into telecommunications, financial services and mining besides its primary business in Pacific Power & Light, will protect shareholders by giving them an increased value in their stock price and a higher dividend.

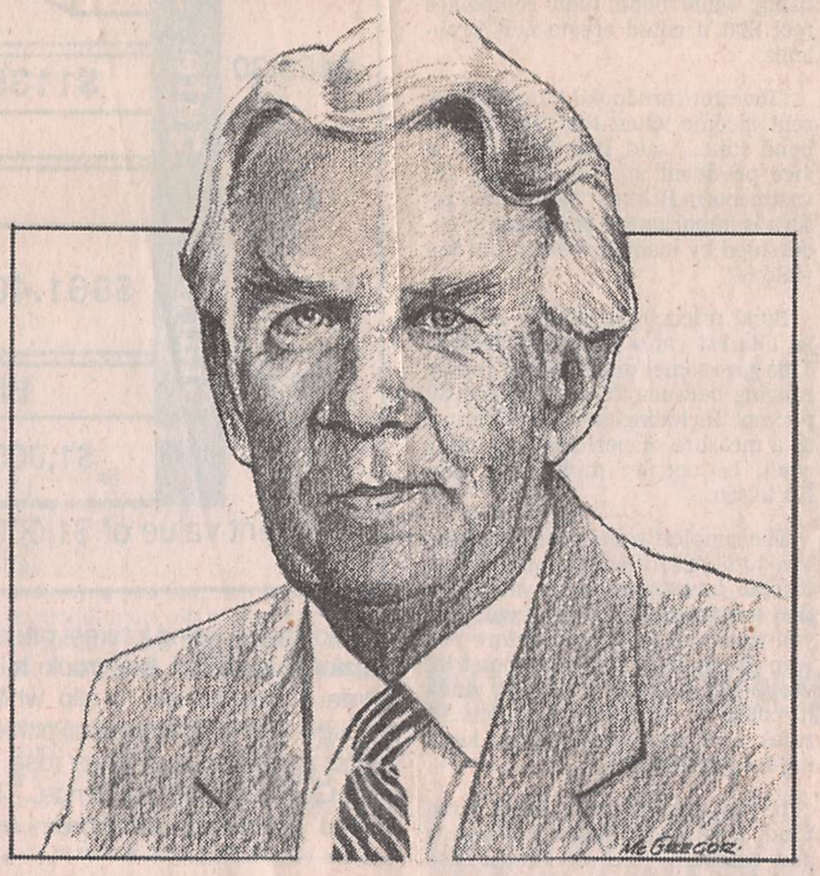
Most of UP&L's labor reductions have taken place, Lindquist said, and the company expects very little impact on jobs because of the merger.

For consumers, Lindquist points to PacifiCorp's promise of reducing rates between 5 percent and 10 percent in the next four years. "If we don't merge we can't guarantee that."

Lindquist doesn't understand the cry and concern that merging with a larger Oregon-based firm will mean Utah will lose its only investor-owned utility. He said that 75 percent of UP&L's stock is owned by out-of-state investors in the first place and that PacifiCorp has agreed to leave UP&L's headquarters in Salt Lake City and will have representation on both PacifiCorp and PP&L boards.

"They (stockholders) will own 40 percent of PacifiCorp and we will be

Recently elected chairman John A. Lindquist praises UP&L's board as being diverse, knowledgeable and committed to the utility's success. "We have very bright people covering a broad spectrum of backgrounds and professions," he said. "We don't always agree on everything, and we have some lively discussions."



John A. Lindquist

"Everything seemed to happen to him. He knew the company from A to Z, but it was simply time to make a change and he knew that."

The board saw what they needed in Taylor's temporary replacement, Frank N. Davis, and unanimously elected him president and chief executive officer following the signing of the PacifiCorp merger pact.

Lindquist said that when Davis stepped in as the power company's temporary leader, the board understood Davis wasn't seeking a permanent post. In fact Davis had come out of retirement to run a UP&L's alternative energy subsidiary, Energy National, when he was named as interim president.

The board embarked on a nationwide search for a new chief executive and paid an up-front fee to a national executive headhunting firm to accomplish the task. But, Lindquist said, as a few months went by and "so many of our problems were solved so quickly, we began to think we have a real guy in Frank Davis.

"He knows the company and speaks their (power industry leaders) language and everybody in the industry in the Mountain West knows him."

Lindquist anticipates Davis staying on at least until the merger goes through and is fully implemented. "He will get us through the rough spots until the company is running very smoothly, then we will have to look for another president.

But Lindquist doesn't anticipate being in on that decision. Unless PacifiCorp changes the rules, Lindquist must retire from UP&L's board in two years.

An avid angler, he says there's "a lot of fish to be caught" after he serves his time on the UP&L board.

Lindquist also stays busy as chairman of Lindquist & Sons Mortuary

week on UP&L business, assisting Davis in explaining the proposed merger to the power company's constituencies in Utah, Idaho and Wyoming.

Unlike other enterprises he has been involved in, Lindquist said generating and selling electrical power is the only business he knows of that requires the same amount capital and expenses no matter what the customer load may be.

"It costs almost just as much to run a plant at full capacity as it does with a reduced load."

But, the PacifiCorp merger will ease the financial pressures of excess capacity and other inefficiencies and risks, he said, as the two systems are connected to reduce risk in high load periods, transmit surplus to each other during alternating peak periods or sell excess power it to outside markets.

"We were isloated before the merger, but we are not isolated anymore. We have a very strong ally" in PacifiCorp, he said.

The merger will postpone high cost construction projects for both utilities, but Lindquist said that delay won't be indefinite. "The world won't stand still. We will see another oil shortage . . . and when oil hits $25 a barrel the oil-fired generators in California will shut down and they will buy surplus power from outside markets."

Those lucrative future prospects is one reason why PacifiCorp liked merging with UP&L and gaining access to southwest markets through UP&L's transmission system that may soon reach to Nevada.

Lindquist said UP&L is fortunate not to be involved in nuclear power, although the company does hold some uranium mining claims. He predicts coal, from which UP&L fuels all of its plants and PP&L generates 70 percent of its power, as the

Ads for bond funds may make risky venture sound ultrasafe

THE MEYERS REPORT

GARY MEYERS

Watch out for flashy ads promoting high yields on bond funds, even if it's a "big name" company that is investing in government bonds.

Many investors have felt misled by investment company advertisements for high-yield funds that are ostensibly "secure" because they invest "safe" bonds, even bonds backed by the U.S. government.

"The trick being played on the public is that while the bonds are backed by the full faith and credit of the U.S. government, the fund and the performance of its money manager are not," said Charles Fahy, of the Houston investment firm of Phillips, Fahy and Rockwell.

Enough consumers have been ensnared by misleading advertising that the Securities and Exchange Commission has proposed new regulations that would require a mutual ...d bond company to include the

bond funds," said Fahy. "When you invest in bonds, look at the economy and interest rates."

Bond fund ads can be misleading for two reasons. First, there is no standard measure for calculating the yields on these funds. Yields often can be overstated, if for instance the yield advertised is a week's yield that has been annualized. The week used may just have been a very good week for the fund.

"There are so many ways to calculate yield that investors cannot adequately compare the different funds. The intent of the (SEC) proposals is to show a little more balance among the differing ads," said McCue.

Second, the ad promises a high yield but disguises the market risks involved. This is particularly true of funds that invest in high-yield government-backed securities like Ginnie Mae's.

The risk in a bond fund is that while your investment may be earning a high yield, the market value of your fund shares may decline, giving you a negative rate of return — meaning that your investment can yield 9 percent and you can still lose money! Here's how:

taste good, ultimately they can be bad for an investor. Although the ads are doing nothing illegal, they are misconstruing reality by not explaining in better detail just how the value of the investment can fluctuate."

But the plot thickens. While it seems to be common sense that advertising real rate of return would clear up the problems in the advertising, some bond fund companies feel that it could create new problems.

"Investors are looking for the current income when they buy into a bond fund," said Rab Bertelsen, a vice president at First Fidelity Investments in Boston. "While total return is important, it is not easily understood by many investors, but the yield is."

Bond prices rose rapidly in 1984 as interest rates began to decline. This gave some funds rates of return ranging between 20 percent and 30 percent. Including that rate of return as a measure of performance today could be equally misleading, said Bertelsen.

The simplest solution is for investors to be informed. If you want an